

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Pigeon District Library	County Huron
Audit Date 6/30/05	Opinion Date 8/22/05	Date Accountant Report Submitted to State: 11/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel P.C.			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature <i>Brian Hazen, CPA</i>		Date 11/14/05	

**PIGEON DISTRICT LIBRARY
PIGEON, MICHIGAN**

**FINANCIAL STATEMENTS
JUNE 30, 2005**

PIGEON DISTRICT LIBRARY

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	2
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE – CASH BASIS - GOVERNMENTAL FUND	3
STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - CASH BASIS – GOVERNMENTAL FUND	4
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 7

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Pigeon District Library
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities of the Pigeon District Library, Pigeon, Michigan, as of and for the years ended June 30, 2005 and 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pigeon District Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Pigeon District Library prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - cash basis of the governmental activities of the Pigeon District Library, Pigeon, Michigan, as of June 30, 2005 and 2004, and the changes in financial position - cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Nietzke & Faupel PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

August 22, 2005

FINANCIAL STATEMENTS

PIGEON DISTRICT LIBRARY

**STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE
CASH BASIS
GOVERNMENTAL FUND**

	JUNE 30,	
	<u>2005</u>	<u>2004</u>
<u>ASSETS:</u>		
Cash and deposits	\$ 140,067	\$158,100
Restricted assets:		
Cash-State Aid	716	6,235
Cash-Capital Improvement	108,538	86,795
Cash-Furniture	7	7
Cash-LaVictorie Fund	<u> </u>	<u>1,335</u>
TOTAL ASSETS	<u>\$ 249,328</u>	<u>\$252,472</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES:</u>		
Payroll taxes withheld	\$ 2,773	\$ 2,383
TOTAL LIABILITIES	<u>2,773</u>	<u>2,383</u>
 <u>FUND EQUITY:</u>		
Fund balance:		
Reserved	109,261	94,372
Unreserved	<u>137,294</u>	<u>155,717</u>
TOTAL FUND EQUITY	<u>246,555</u>	<u>250,089</u>
 TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 249,328</u>	<u>\$252,472</u>

The accompanying notes are an integral part of the financial statements.

PIGEON DISTRICT LIBRARY
STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGE IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUND

	YEARS ENDED JUNE 30,	
	<u>2005</u>	<u>2004</u>
REVENUE:		
Local sources:		
Property taxes	\$ 120,243	\$ 142,892
Contributions from other local governments	7,800	5,725
Penal fines	33,320	36,467
Book fines	3,013	3,099
Donations	6,802	12,970
Memorials	1,337	520
Interest earned	4,258	1,874
Rentals	2,750	2,535
Copier	2,012	2,398
Video tape rentals	6,473	7,556
Miscellaneous	4,512	4,206
State sources:		
State aid	4,056	9,312
TOTAL REVENUE	<u>196,576</u>	<u>229,554</u>
EXPENDITURES:		
Wages	94,509	92,502
Utilities	10,897	11,291
Insurance	2,595	2,610
Repairs and maintenance	5,796	8,138
Enrichment program	697	698
Education	1,608	928
Supplies	4,428	4,482
Postage	872	891
Books and magazines	21,155	22,169
Professional fees	3,868	2,928
Payroll taxes	7,396	7,433
Employee benefits	4,107	4,849
Dues and memberships	4,442	4,330
Cleaning	1,718	2,256
Kitchen supplies	552	546
Miscellaneous	717	649
Video tapes	3,142	4,258
Advertising	340	358
Internet charges	462	660
Christmas decorations	359	363
Newspaper digitization	974	1,057
Homebound program	415	792
Capital outlay	24,641	4,457
Technology	4,420	4,282
TOTAL EXPENDITURES	<u>200,110</u>	<u>182,927</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(3,534)</u>	<u>46,627</u>
FUND BALANCE - JULY 1	250,089	203,462
FUND BALANCE - JUNE 30	<u>\$ 246,555</u>	<u>\$ 250,089</u>

The accompanying notes are an integral
part of the financial statements.

PIGEON DISTRICT LIBRARY
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Local sources:				
Property taxes	\$ 116,594	\$ 116,594	\$ 120,243	\$ 3,649
Contributions from other local governments	4,625	4,625	7,800	3,175
Penal fines	30,000	30,000	33,320	3,320
Book fines	3,000	3,000	3,013	13
Donations	8,500	8,500	6,802	(1,698)
Memorials	900	900	1,337	437
Interest earned	2,200	2,200	4,258	2,058
Rentals	3,500	3,500	2,750	(750)
Copier	2,500	2,500	2,012	(488)
Video tape rentals	8,000	8,000	6,473	(1,527)
Miscellaneous	3,250	3,250	4,512	1,262
State sources:				
State aid	8,500	8,500	4,056	(4,444)
TOTAL REVENUE	<u>191,569</u>	<u>191,569</u>	<u>196,576</u>	<u>5,007</u>
EXPENDITURES:				
Wages	98,000	97,392	94,509	2,883
Utilities	12,900	12,448	10,897	1,551
Insurance	3,500	3,500	2,595	905
Repairs and maintenance	9,800	5,796	5,796	-
Enrichment program	700	700	697	3
Education	1,000	1,608	1,608	-
Supplies	4,500	4,500	4,428	72
Postage	900	900	872	28
Books and magazines	20,300	21,155	21,155	-
Professional fees	3,200	3,868	3,868	-
Payroll taxes	8,500	8,500	7,396	1,104
Employee benefits	5,000	4,332	4,107	225
Dues and memberships	4,500	4,500	4,442	58
Cleaning	2,200	2,200	1,718	482
Kitchen supplies	600	600	552	48
Miscellaneous	1,200	1,200	717	483
Video tapes	4,500	3,645	3,142	503
Advertising	400	400	340	60
Internet charges	700	515	462	53
Christmas decorations	500	500	359	141
Newspaper digitization	2,500	2,500	974	1,526
Homebound program	500	500	415	85
Equipment	20,000	24,641	24,641	-
Technology	4,500	4,500	4,420	80
TOTAL EXPENDITURES	<u>210,400</u>	<u>210,400</u>	<u>200,110</u>	<u>10,290</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	<u>(18,831)</u>	<u>(18,831)</u>	<u>(3,534)</u>	<u>15,297</u>
FUND BALANCE - JULY 1	250,089	250,089	250,089	
FUND BALANCE - JUNE 30	<u>\$ 231,258</u>	<u>\$ 231,258</u>	<u>\$246,555</u>	<u>\$ 15,297</u>

The accompanying notes are an integral part of the financial statements.

PIGEON DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

In evaluating how to define the Pigeon District Library for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Library is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component units that should be included in the Library's reporting entity.

Fund Accounting

The accounts of the Library are organized into one general operating fund. The operations of the Library are accounted for in a separate set of self-balancing accounts which are comprised of the Library's assets, liabilities, fund equity, revenue and expenditures. The fund of Pigeon District Library is categorized as follows:

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources of the Library.

Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The General Fund of the Library is accounted for by using the cash basis of accounting. Under the cash basis of accounting, revenue is recognized when received and expenditures are recognized when the disbursement of cash is made. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles for governmental units. These financial statements are, therefore, not presented in accordance with generally accepted accounting principles.

Budgets

Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is prepared on the cash basis of accounting, as explained above, and is consistent with the preparation of the financial statements.

The Board of Trustees prepares the budget on a line item basis. Any revisions that alter any line item appropriation must be approved by the Board of Trustees. Therefore, the level of budgetary responsibility is at the line item level.

(Continued)

PIGEON DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Unused appropriations lapse at the end of the year.

On June 23, 2005, the Board of Trustees amended the budget of the Library. The budget amendment did not change the total appropriations for the year ended June 30, 2005, but altered certain line item appropriations. The final amended budget is presented on page 5.

NOTE 2 - CASH AND DEPOSITS:

At June 30, 2005 and 2004, the carrying amount of the Library's deposits (checking and savings) were \$249,278 and \$252,423, respectively and the bank balances were \$252,393 and \$253,316, respectively. All but \$8,538 of the deposits with financial institutions are insured by the FDIC.

The carrying amount of the Library's deposits at June 30, 2005 and 2004, of \$249,278 and \$252,423 include restricted funds totaling \$109,261 and \$94,372, respectively. The funds are restricted for the following purposes:

	JUNE 30,	
	<u>2005</u>	<u>2004</u>
State aid funds to be used only for the purchase of circulation materials	\$ 716	\$ 6,235
Furniture Fund	7	7
Capital improvements	108,538	86,795
Daisy LaVictorie Fund		1,335
Total restricted cash	<u>\$109,261</u>	<u>\$94,372</u>

Fund equity has been reserved at June 30, 2005 and 2004, for the amount of restricted cash as detailed above.

NOTE 3 - RELATED PARTY TRANSACTIONS:

The members of the Board of Trustees are appointed by the townships and village of the legal service area of the Library and include the following local units of government: Chandler Township, McKinley Township, Winsor Township, and the Village of Pigeon, all of which are in Huron County, Michigan. These local units of government also provide revenue to the Pigeon District Library in the form of property taxes. For the year ended June 30, 2005 and 2004, total revenue received from the legal service area amounted to \$120,243 and \$142,892, respectively.